

Message Text

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ACTION EB-08

INFO OCT-01 IO-13 AF-10 ARA-06 EA-07 EUR-12 NEA-10

ISO-00 L-03 FRB-03 OMB-01 ITC-01 SP-02 USIA-06

AGRE-00 AID-05 CIAE-00 COME-00 INR-07 LAB-04

NSAE-00 OIC-02 SIL-01 STR-04 TRSE-00 CEA-01

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C O N F I D E N T I A L GENEVA 2975

LONDON FOR THIGPEN

E.O. 11652: GDS

TAGS: UNCTAD, ETRD

SUBJ: SUGAR CONFERENCE: DISCUSSIONS BETWEEN CUBAN AND U.S.
DELEGATIONS

REF: (A) GENEVA 2912, (B) GENEVA 2965

SUMMARY: ON APRIL 21 ASSISTANT SECRETARY KATZ, AND
OTHER US REPRESENTATIVES TO SUGAR CONFERENCE, MET WITH
CUBAN OFFICIALS LED BY MINISTER OF FOREIGN COMMERCE
MARCELO FERNANDEZ FONT TO DISCUSS CURRENT NEGOTIATIONS.
ATMOSPHERE RELAXED AND CUBANS BUSINESSLIKE IN APPROACH.
CUBANS PLEASED BY U.S. INTENT TO PARTICIPATE IN NEW
INTERNATIONAL SUGAR AGREEMENT (ISA). THEY QUESTIONED
STOCKS CONCEPT IN U.S. APPROACH FOR A NEW ISA (REFTEL A)
AND REITERATED LINE IN THEIR OPENING STATEMENT. CUBANS
PROPOSE HOLDING BASIC EXPORT QUOTAS (BETS) CONSTANT FOR
THE FIRST 2 YEARS OF AN AGREEMENT AND THEN RENEGOTIATING.
MAJOR CUBAN PROBLEM WITH U.S. CONCEPT IS THE PROPOSAL
FOR SPECIAL STOCKS BECAUSE OF THE FINANCIAL AND STORAGE
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BURDENS THEY WOULD PLACE ON EXPORTERS. BOTH DELEGATIONS
EXPRESSED DESIRE FOR FURTHER BILATERAL TALKS. END
SUMMARY.

1. KATZ, ACCOMPANIED BY DELEGATION MEMBERS O'DONNELL,
PILKAUSKAS, STANSBERRY AND ROH HELD A BILATERAL CON-
SULTATION WITH THE CUBAN DELEGATION LED BY MINISTER OF

FOREIGN COMMERCE MARCELO FERNANDEZ FONT. ALSO PRESENT WERE VICE MINISTER OF FOREIGN COMMERCE RICARDO CABRISAS RUIZ; AMBASSADOR CARLOS LEGHUGA HEVIA, CUBAN PERMANENT REP IN GENEVA; ALBERTO BETANCOURT ROA, DIRECTOR OF INTERNATIONAL ORGANIZATIONS IN THE MINISTRY OF FOREIGN COMMERCE; HORACIO TABIO YORK, CUBAN COMMODITIES OFFICER IN LONDON; EMILIANO LECANO BIQUERRA, DIRECTOR OF CUBAZUCAR, THE CUBAN STATE SUGAR COMPANY, AND OTHER OFFICIALS. MEETING HELD ON APRIL 21, 1977 AT FERNANDEZ' HOTEL.

2. THE CUBANS EXPRESSED PLEASURE AT ACTIVE U.S. PARTICIPATION IN THE NEGOTIATIONS AND FOR THE OPPORTUNITY TO CONFER WITH "THE LARGEST IMPORTER". FERNANDEZ STATED HE HAD READ THE U.S. OUTLINE. HE SAID U.S. IDEAS ARE FUNDAMENTALLY DIFFERENT FROM THE CUBAN POINT OF VIEW. HE DESCRIBED THE U.S. APPROACH AS A STOCK AGREEMENT WITH EXPORT QUOTAS ATTACHED, WHILE THE CUBANS SAW A QUOTA AGREEMENT BACKED UP BY MINIMUM STOCKS. FERNANDEZ STATED CUBA SEES QUOTAS USED TO PROTECT THE UPPER AND LOWER ZONES OF THE AGREEMENT, WITH MINIMUM STOCKS ENABLING EXPORTERS TO MEET THEIR COMMITMENTS IN TIME OF SHORTAGE.

3. THE MAJOR CUBAN OBJECTION IS TO THE SPECIAL STOCKS FEATURE OF THE U.S. CONCEPT. THE STORAGE AND FINANCING OF ADDITIONAL STOCKS IS BEYOND WHAT CUBA CAN HANDLE. THE MINISTER SAID THE U.S. ASKS TOO MUCH OF EXPORTERS.

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4. KATZ DESCRIBED THE U.S. APPROACH AS A SUPPLY MANAGEMENT PROPOSAL, NOT VERY DIFFERENT FROM FORMER ISAS BUT WHICH IS MORE EFFECTIVE IN DEFENDING PRICE OBJECTIVES AT BOTH ENDS OF RANGE. HE RECOGNIZED STOCKS ARE A FINANCIAL BURDEN, AND SAID IMPORTERS SHOULD BE WILLING TO HELP FINANCE TO SOME EXTENT. KATZ POINTED OUT THAT THE U.S. IDEAS ARE NOT FIXED WITH REGARD TO NUMBERS AND PROPORTIONS. HE DESCRIBED THE U.S. AIM AS THE AVOIDANCE OF ARBITRARY PROVISIONS.

5. FERNANDEZ INQUIRED WHAT THE U.S. THOUGHT OF THE ISA DRAFT. KATZ SAID THE DRAFT IS FUNDAMENTALLY WEAK SINCE LARGE QUOTA CUTS ARE DIFFICULT TO ENFORCE. FURTHER, PRODUCTION ADJUSTMENTS RESULTING FROM QUOTA CUTS MEANS THERE IS LESS SUGAR AVAILABLE TO IMPORTERS IN TIME OF HIGH PRICE.

6. FERNANDEZ OUTLINED THE CUBAN PROPOSAL AS ONE OF SUCCESSIVE 5 PERCENT QUOTA CUTS. HE LINKED THE QUOTA

CUTS TO AN AUTOMATIC MECHANISM FOR SHORTFALL DECLARATIONS.
EXPORT SHARES BASED ON BETS WOULD LAST TWO YEARS AND
THEN BE RENEGOTIATED.

7. KATZ DESCRIBED THE U.S. PLAN AS MORE PALATABLE TO
THE EC THAN THE QUOTA APPROACH. FERNANDEZ AGREED ON
THE NEED FOR WIDEST MEMBERSHIP BUT NOT AT ANY COST.

8. ON THE ISSUE OF CUBAN PREFERENTIAL TRADE WITH
SOCIALIST COUNTRIES, KATZ SAID THE U.S. POSITION IS
OPEN. WE RECOGNIZE THE PREFERENTIAL ARRANGEMENTS BUT
FEEL THEY MUST BE DEFINED AND CONTROLLED. FERNANDEZ
STATED THE CUBAN POSITION AS THAT THE RE-EXPORT RIGHTS
OF IMPORTERS BE CLEARLY DEFINED IN REGARD TO PREFERENTIAL
TRADE. HE EXPRESSED THE HOPE WE COULD REACH A COMMON
POSITION ON THE ISSUE.

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9. KATZ CLOSED BY STATING HE WAS NOT DISCOURAGED BY
THE CONVERSATION. HE NOTED THE DIFFERENCES IN NOMEN-
CLATURE BETWEEN THE TWO COUNTRIES BUT POINTED OUT COMMON
GROUND REGARDING THE CONCEPT OF SUPPLY MANAGEMENT.
BOTH SIDES EXPRESSED A DESIRE FOR FURTHER DISCUSSIONS
BETWEEN THE DELEGATIONS DURING THE NEGOTIATIONS.SORENSEN

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